

DOUGLAS SMITH LETTER

For the TIMING AND SELECTION OF STOCK TRADING by the Smith Index of Money Factors, World Political and Economic Forces

FACTS ARE BETTER THAN POLITICIANS' PROPAGANDA

Today investors should study the facts about the liquidity and debt structure of corporations, banks and the government. The estimated paper losses of all commercial banks, in municipal bonds, mortgages, U.S. securities, and long-term loans is roughly between 45 and 50 billion dollars. The loss in tax exempt securities for Chase Manhattan Bank is \$378 million and First National City Bank (N.Y.) \$265 million, as reported. As of March 1970, the capital accounts of all commercial banks was only \$40 billion, according to U.S. government figures. Should banks be forced to liquidate to remain solvent, as in the 1929-32 era, we could see many banks forced to close. Savings and Loan Banks are in a worse liquid position and the Federal Home Loan and FNMA have been supporting them to the tune of roughly \$21 billion. It is one of the reasons the Treasury Dept. has raised the minimum denominations for Treasury Bills to \$10,000. I have a letter from the Secretary of the Treasury mailed to me March 12, 1970, which included a statement from George Romney, Sec. of Housing and Urban Development—Quote "It is essential that we discourage the outflow of funds from mortgage lending institutions. This Treasury action should substantially improve our housing outlook."

I would stay out of Bank and Savings and Loan stocks. The vast amount of cash that corporations and utilities are seeking in the bond market shows a lack of liquidity far far worse than in 1929. In 1929, the ratio of liquidity (cash and demand deposits to gross national products) was 26 per cent. In January 1970, it was below this figure at 21 per cent, and as of March 12, 1970, (the latest figures available) it was 20.2 per cent. Unemployment is up and probably will reach 6 per cent in the not too distant future.

My Smith Index of Money Factors, as I keep constantly reminding people, is the difference between the resources and commitments of all commercial, savings, and federal reserve banks and treasury funds. The latest available figure is for March 12, 1970 and shows a deficit, or minus figure of \$5,157 million, a drop from February of \$1.5 billion.

My Index gave a sell signal Feb. 1, 1966, with the Dow Jones Industrials at 975.89. My Index has been in a minus figure since August 14, 1969.

For over twenty years we have been in a period of excessive spending and monetary inflation with government, corporate, and private debt reaching a figure which just cannot be supported. The Korean and Vietnam Wars have not been fought to win, but to support an economy which could not have been maintained without a war. Last year, I recommended the book "The Figures Spell Doom," by the noted economist-philosopher and tax authority, George T. Altman. It is published by Greenleaf Classics, Inc., 3511 Camino del Rio South, San Diego, Calif. 92120 (Paperback \$1.25). It clearly proves my statement that we maintained both wars for economic reasons. In 1930, the government said, "Prosperity is just around the corner." Yet we didn't get out of the depression until Roosevelt put us into war. The 1940 census showed 15 per cent of the labor force still was unemployed.

The recent failure of McDonnell & Co., and three other brokerage houses, is just the beginning of failures. The New York Stock Exchange members have suffered a severe loss on the value of their seats from \$515,000 to \$265,000, a drop of close to 50 per cent. The present rally started from 774.06 D. J. Ind., and is based on wishful thinking and a drop of 1/2 per cent in the prime interest rates to 8 per cent, but clients must still leave 20 per cent of the loan on deposit, so money is still costly. It was the 1930 rally that trapped the top Wall Street financiers and broke them flat.



"These are
times that
try men's souls"
— Thomas Paine

A rapid chain of events has all but immobilized the forces of Common Sense: the Postal strike, obtaining newsprint, another press breakdown, insufficient help—to name a few—in addition to the drastic increase in the cost of doing business and back-breaking taxes. We survived but find ourselves deep in debt to the point that we must slow down to near stop. After considerable thought and to relieve the pressure temporarily, we skipped the April 15th issue and will extend subscriptions accordingly.

We could raise our subscription price, of course, but when we think about it, that can afford only long range relief at best and work a hardship on many old-time subscribers who have already given far beyond their means and who have the same problems we have, their 30 cent dollars won't go any further than ours. Besides, we would also have to invest hundreds of dollars to cover the transition, spending time and money we simply do not have. We could publish only once a month, but that too has many drawbacks. When all else fails, there is always the path of "no return."

We are not very good beggars; neither was Conde McGinley before us. We know if we had had the proper financial backing the past 25 years, the history of this country, perhaps the world, would have been changed. We also know the hour is very late. But God still rules the world and the ominous future of our nation could still be changed with your help, if God so wills. Thus we place our problems in your hands, with complete resignation to the Will of God. If the Lord wants us to remain at the front lines of battle, He will find a way before taps is sounded for the last time.

"Wisdom Is Often Just Common Sense"

We have many back copies of Common Sense available which we would like to put into circulation. Please help us put this vital message into the hands of new people. The day may come when your life will depend upon your neighbor's knowledge of the facts. The following are a few issues still available, by number and heading, although we also have limited quantities from last year and previous years.

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Regardless of the extent of this rally, it will in my opinion wreck those who buy into it, as the liquidity of corporations and banks and the public debt structure is still unsupportable.

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A PATRIOT SPEAKS UP

(Continued from Page 3, Column 3)

tion so egotistical as to think the future cannot improve upon the past?

"The best of all we have today — of what we call Western Civilization — was given us by men who broke the law. Think of Galileo sitting in prison for teaching that the earth revolves around the sun. Lister, Harvey and many other physicians broke the laws of their day to conduct the medical research for which we are now so thankful.

"It is in the field of law itself that laws have most often been broken. The Magna Carta was not given to the people of England as the gratuity of a generous monarch. It was fought for by men who broke the law to create better laws. How many heads rolled from the guillotine to bring a new set of laws to France? The laws of this nation and every other nation are written in blood.

"Of all my family (grandparents, parents, wife, brother, children, aunts, uncles, cousins, nephews and nieces) I am the only one that has ever been convicted of a felony. Criminal behaviour does not run in our family. If I am a criminal, I must be of a very special kind. My family knows me well, and of them all, I know of none that would not be proud to stand here in my place and accept the sentence of this court upon their shoulders.

"If I had been tried as a revolutionary then I would have pled guilty for such behavior does run in our family. Many months before the Battle of Lexington and Concord one of my ancestors was executed by the British for revolutionary activity.

"Yes, he broke the law, but if he had not broken the law, this Court would not sit today.

"It's said of the revolutionary, that while he still fights, he's never shown mercy; if he wins he is seldom thanked; and if he loses, he is never forgiven. I do not ask for thanks, forgiveness or mercy.

"I would appreciate justice. But if I am not given justice, then I will accept injustice, and I will fashion even that into a weapon to continue the fight for principle, for pride, for honor. I will never give up."

MOMENT OF TRUTH

(Continued from Page 2, Column 3)

"Southern Gentleman" we may be sure. He wants exactly what "Ole Massa" wanted on the Southern plantation, and the same thing Jews like Kissinger want. He wants a black working population bossed by a small white ruling class. We white racists, and a good many black racists who are really smart, want something entirely different. We want our own racial folk-cultures; we want to see our races thrive, not to see them sold into slavery. As long as the American Conservative keeps to his minority position and isolates himself from the masses of his own race, he will be nothing but a gasbag and a bore. If you cannot or will not establish a good political rapport with the masses of your own race, then, so help us God, the Russians are right about you, and one day you will hear the voice of the Archangel crying, "COME WITH ME AND SEE THE CONDEMNATION OF THE GREAT HARLOT WHO SITS UPON THE MANY WATERS . . ."

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